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BYLAWS
OF
EUCALYPTUS GROVE HOMEOWNERS ASSOCIATION

A California Nonprofit Mutual Benefit Corporation

INW#1/EGBYL
12/17/84

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BYLAWS
OF
EUCALYPTUS GROVE HOMEOWNERS ASSOCIATION
A California Nonprofit Mutual Benefit Corporation

ARTICLE I

NAME; PRINCIPAL OFFICE; DEFINITIONS

1.1 Name of Corporation

The name of this Corporation is EUCALYPTUS GROVE HOMEOWNERS ASSOCIATION (herein, the "Association"). The Association is organized under the California Nonprofit Mutual Benefit Corporation Law.

1.2 Association Offices

1.2.1 Principal Office. The Board of Directors shall designate the location of the principal executive office of the Association, which may be at any place within the County of Santa Barbara, State of California. The Board of Directors, in its discretion, may change the principal office from one location to another within said County.

1.2.2 Additional Offices. The Board of Directors may establish such branch or subordinate offices from time to time at such locations as it determines to be appropriate.

1.3 Definitions

For purposes of these Bylaws, the following terms shall have the meanings set forth below.

1.3.1 Declaration. "Declaration" means the Declaration of Covenants, Conditions and Restrictions, and any amendments thereto, recorded in the Office of the Santa Barbara County Recorder and applicable to the development commonly known and referred to as The Grove or Tract 13,421.

1.3.2 Other Definitions. Each definition contained in Article I of the Declaration shall have the same meaning

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for purposes of these Bylaws as is set forth in the Declaration, and each such definition is made a part of these Bylaws as if set forth herein in full.

ARTICLE II

PURPOSE AND POWERS OF ASSOCIATION

2.1 General Purpose

The purpose of the Association generally shall be to engage in any lawful act or activity for which a corporation may be organized under the California Nonprofit Mutual Benefit Corporation Law.

2.2 Specific Purpose

The specific purpose of the Association shall be to conduct all business affairs of common interest to its members, including, without limitation, the operation and maintenance of common areas, the maintenance of buildings and other improvements, the payment of taxes, assessments, utilities and insurance premiums, and the enforcement of restrictions and rules pertaining to the development.

2.3 Powers of the Association

To achieve its purposes, the Association shall have the power and authority:

2.3.1 To establish, fix and levy assessments as provided in the Declaration;

2.3.2 To establish, amend and enforce rules governing the use of the development owned in common by its members;

2.3.3 To commence actions to enforce or to enjoin the breach of the Articles, these Bylaws, the Declaration or the rules and regulations adopted by the Association; and

2.3.4 To employ a professional management firm or agent for the development as provided in Section 5.4.5 of the Declaration.

2.3.5 To exercise all other powers afforded to the Association pursuant to and subject to the limitations set forth in the Declaration.

ARTICLE III

MEMBERSHIP IN THE ASSOCIATION

3.1 Qualification

Each owner of a lot in the development (except those persons or entities owning lots solely as security for the payment of a debt or the performance of an obligation) shall be a member of the Association, but no owner shall hold more than one membership in the Association, even though such owner may own more than one lot.

3.2 Classes of Membership

3.2.1 Initial Classes. The Association initially shall have two (2) classes of voting memberships, consisting of the following:

A. The Class A members shall consist of all owners of lots in the development, other than the Declarant named in the Declaration and any successor in interest to the Declarant.

B. The Class B members shall consist of the Declarant named in the Declaration and any successor in interest to the Declarant.

3.2.2 Conversion of Class B Membership. The Class B membership shall forever cease and shall be converted to a Class A membership on the first to occur of the following events:

A. When the total votes outstanding in the Class A membership equal the total votes outstanding in the Class B membership; or

B. On the second anniversary of the date on which the final subdivision public report for the development is issued by the California Department of Real Estate.

3.3 Voting Rights

3.3.1 Class A Members. Each Class A member shall be entitled to one (1) vote for each lot in which such member owns an interest. Should more than one Class A member own an interest in a single lot, the vote for such lot shall be exercised as such owners may determine among themselves, but in no case shall more than one (1) vote be cast with respect to any one lot.

3.3.2 Class B Member. The Class B member shall be entitled to three (3) votes for each lot which it owns.

3.4 Approval by Classes

3.4.1 Subject to the provisions of Section 3.4.2, below, as long as two classes of members in the Association exist, no action by the Association that must have the prior approval of the Association members shall be deemed approved by the members unless approved by the appropriate percentage of both classes of members.

3.4.2 If any provision of the Governing Instruments requires Association action to be approved by a prescribed majority or percentage of members other than the Declarant, then (except for the enforcement of bonded obligations as provided in Section 5.5.7 of the Declaration) such action shall require the approval of the prescribed percentage of the Class A voting power and a bare majority of the Class B voting power.

3.4.3 Upon the first to occur of the conditions specified in Section 3.4.2, above, actions requiring the prior approval of the Association shall require the approval only of the Class A members; provided, however, that if any provision of the Governing Instruments requires Association action to be approved by a prescribed majority or percentage of members other than the Declarant, then (except for the enforcement of bonded obligations as provided in Section 5.5.7 of the Declaration) such action shall require the approval of a bare majority of the total voting power of the Association as well as the approval of the prescribed percentage of total voting power of members other than the Declarant.

3.5 Termination of Membership

Each owner shall remain a member of the Association until he no longer owns, or has an ownership interest in, any lot in the development, at which time his membership shall automatically cease. Membership shall survive the death, dissolution, merger or reorganization of any member.

3.6 Suspension of Membership Rights

3.6.1 The membership rights, including voting rights, of any member of the Association may be suspended and/or monetary penalties may be assessed for any violation of the Declaration, the Articles or Bylaws of the Association or the Association Rules adopted by its Board of Directors; provided, however, that no such suspension of membership rights may exceed a period of thirty (30) days for any one violation, and no fine exceeding the sum of One Hundred Dollars (\$100.00) may be assessed for any one violation.

3.6.2 A member shall be entitled to appeal from any proposed fine or suspension in the manner provided by Section 5.6 of the Declaration.

3.6.3 A monetary penalty imposed by the Association as a disciplinary measure for failure of a member to comply with the governing instruments or as a means of reimbursing the Association for costs incurred by the Association in the repair of damage to common areas and facilities for which the member is allegedly responsible or in bringing the member and his lot in a compliance with the governing instrument is not an assessment which may become a lien against the member's lot.

3.7 Transfer of Memberships

Memberships in the Association may be transferred only in accordance with the provisions of Section 4.2.2 of the Declaration; an owner shall not be entitled to sever his interest in any lot from his membership in the Association and shall not be entitled to sever his lot and his membership from his undivided interest in the Common Area.

3.8 Proof of Membership

No person may exercise any rights of membership in the Association until satisfactory proof of membership has been furnished to the Secretary. Such proof may consist of, without limitation, a copy of a duly recorded grant deed or a policy of title insurance showing such person to be the owner of an interest in a lot. Any such deed or title policy shall be conclusive in the absence of a conflicting claim based on a later deed or policy.

3.9 Nonliability of Members

Except as may be provided in the Nonprofit Mutual Benefit Corporation Law, no member of the Association shall, solely because of such membership, be personally liable for the debts, obligations or liabilities of the Association.

ARTICLE IV

MEETINGS OF MEMBERS

4.1 Place of Meetings

Meetings of the membership shall be held at a place within the development designated by the Board of Directors or at a meeting place designated by the Board of Directors

which is as close to the development as may be possible. Unless unusual conditions exist, meetings of the membership shall not be held outside the County of Santa Barbara.

4.2 Annual Meetings

The first meeting of the members shall be held at the time and in the manner provided in Section 4.4 of the Declaration. Subsequent annual meetings of members of the Association shall be held in each succeeding year within thirty (30) days before or after the anniversary date of the first annual meeting, on a day to be determined by the Board, which day shall not be a legal holiday.

4.3 Special Meetings

Special meetings of the members may be called at any time by a majority of a quorum of the Board, or upon the written request of members representing at least five percent (5%) of the total voting power of the Association.

4.4 Notice of Meetings

4.4.1 Time of Notice. Notice of all members meetings, annual or special, shall be given by personal delivery, or by first class mail, telegram or other means of written communication and shall be given not less than ten (10) days nor more than sixty (60) days before the time of the meeting.

4.4.2 Contents of Notices. Notices of members meetings shall set forth the place, date, and hour of the meeting, and the nature of the business to be undertaken. Notices shall be given by, or at the direction of, the Secretary or the person authorized to call the meeting, and shall be transmitted to each member entitled to vote, addressed to the member's address last appearing at the record date on the books of the Association, or supplied by the member to the Association for the purpose of notice, and shall be given also to each secured lender requesting such notice at the address given by the secured lender for such purposes.

4.4.3 Time of Receipt. Mailed notices shall be deemed received forty-eight (48) hours after they are mailed by certified mail, return receipt requested; notice by telegram shall be deemed received twenty-four (24) hours after it is sent. Notices to members by personal delivery shall be deemed received upon delivery to any occupant of the member's residence who is over the age of twelve (12) years.

4.5 Voting Procedures

4.5.1 Members Entitled to Vote. Persons entitled to vote at any meeting of the members of the Association shall be those persons who are owners of record at a date fixed by the Board as the record date for the purpose of determining the members entitled to notice of any meeting of members.

4.5.2 Manner of Voting. Voting may be by voice, roll call or written ballot, as the members determine to be appropriate, except that any election of directors must be by secret written ballot.

4.5.3 Vote Required. Subject to the provisions of Sections 3.4 and 4.5.4 of these Bylaws, if a quorum is present, the affirmative vote of the holders of a majority of the voting power present at the meeting, entitled to vote and voting on any matter shall be the act of the members, unless the vote of a greater number is required by these Bylaws.

4.5.4 Cumulative Voting. The election and removal of directors on the Board shall be conducted by cumulative voting, as defined and prescribed in Section 7615 of the California Corporations Code. No member shall be entitled to cumulate votes for a candidate or candidates unless such candidate's name or candidate's names have been placed in nomination prior to the voting and the member has given notice at the meeting prior to the voting of the members intention to cumulate votes. If any one member has given such notice, all members may cumulate their votes for candidates in nomination.

4.5.5 Fractional Votes of Joint Owners. The voting rights relating to each lot may be exercised only on a unit basis and may not be exercised on a fractional basis. The exercise of voting rights by joint owners shall be effected in the manner prescribed in Section 4.3.5 of the Declaration, and if the joint owners of a lot are unable to agree among themselves as to how their voting rights shall be cast with respect to a particular matter, they shall forfeit their right to vote as to that matter.

4.6 Record Date

For the purposes of determining which members are entitled to receive notice of any meeting, to vote, or to give consent to Association action without a meeting, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty (60) nor fewer than ten (10) days before the date of the meeting.

4.6.1 Only members of record on the date so fixed shall be entitled to notice, to vote or to give consents, as the case may be.

4.6.2 Should the Board of Directors fail to fix a record date as provided by this Section 4.6, then the record date shall be that date prescribed by Section 7611 of the California Corporations Code.

4.7 Quorum Requirement

The presence at any meeting in person or by proxy of members entitled to cast at least fifty percent (50%) of the total votes of all members of the Association shall constitute a quorum. If any meeting cannot be held because a quorum is not present, members representing a majority of the votes present, either in person or by proxy, may adjourn the meeting to a time not less than five (5) days nor more than thirty (30) days from the time the original meeting was called, at which adjourned meeting the quorum requirement shall be at least twenty-five percent (25%) of the total votes; provided, however, that if any such adjourned meeting is actually attended, in person or by proxy, by members holding or representing less than one-third (1/3) of the voting power of the Association membership, then the only matters that may be voted upon at such meeting are those matters notice of the general nature of which is given, in the manner specified in Section 4.4, above, not less than ten (10) nor more than ninety (90) days before the date of such meeting to each member who, on the record date for notice of the meeting, is entitled to vote thereat.

4.8 Adjournment

Any meeting of members at which a quorum is present may be adjourned for any reason to a time not less than forty-eight (48) hours nor more than thirty (30) days from the time of such meeting by members representing a majority of the votes present either in person or by proxy. If the time and place for the adjourned meeting is not fixed at the original meeting at which the adjournment is taken, notice of the adjourned meeting shall be given as provided in Section 4.4 of these Bylaws.

4.9 Proxies

At all meetings of members each member may be present in person or by proxy. All proxies shall be in writing and filed with the Secretary of the Association prior to the commencement of the meeting. Every proxy shall be revocable and shall automatically cease when the ownership interest or

interests (that entitled a member to membership in the Association) cease. No proxy shall be valid after the expiration of eleven (11) months from the date thereof unless otherwise provided in the proxy, except that the maximum term of any proxy shall be three (3) years from the date of execution.

4.10 Absentee Ballots

The Board may make such provisions as it considers necessary or desirable for absentee ballots.

4.11 Order of Business

The order of business of all meetings of the members shall be as follows:

4.11.1 Roll call;

4.11.2 Proof of notice of meeting or waiver of notice;

4.11.3 Reading of minutes of preceding meeting (or waiver of such reading);

4.11.4 Reports of the Board and officers;

4.11.5 Election of Directors, if any are to be elected;

4.11.6 Unfinished business; and

4.11.7 New business.

4.12 Parliamentary Procedure

All questions of parliamentary procedure shall be decided in accordance with Roberts Rules of Order.

4.13 Action without a Meeting

Any action that may be taken at a meeting of the members may be taken without a meeting if authorized by a writing signed by all of the members who would be entitled to vote at a meeting and filed with the Secretary; provided, however, that a written ballot may not be authorized when the Directors are elected by cumulative voting pursuant to California Corporations Code § 7513.

ARTICLE V

NOMINATION AND ELECTION OF DIRECTORS

5.1 Authorized Number

The Board of Directors shall consist of three (3) directors, who need not be members of the Association.

5.2 Term of Office

5.2.1 All directors shall be elected at the first annual meeting of the members for a term of one (1) year, to run concurrently. Thereafter, the term of office for each subsequently elected director shall be for two (2) years, to run concurrently.

5.2.2 If any annual meeting is not held or the directors are not elected at any annual meeting, they may be elected at any special meeting of the members held for that purpose.

5.2.3 Each director, including a director elected to fill a vacancy or elected at a special meeting of the members, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified.

5.3 Nominations

5.3.1 Nomination for election to the Board shall be made by a nominating committee consisting of three (3) persons selected by the Board. The nominating committee shall consist of a chairman, who shall be a member of the Board, and two (2) other persons who shall either be members of the Association or representatives of the Declarant. Each member of the nominating committee shall be appointed by the Board to serve for a period of one year and vacancies in the committee shall be filled by the Board.

5.3.2 The nominating committee shall solicit and evaluate recommendations for candidates for the Board from the members and shall make as many nominations for election to the Board as it may, in its discretion, determine, but not less than the number of vacancies to be filled. Nominations may be made from among members or non-members. Nominations may also be made from the floor at each annual meeting at which an election of directors is held.

5.4 Election of Directors

Election to the Board shall be by secret written ballot. At the election, the members or their proxies may cast, in respect to each vacancy, as many votes as they are entitled to cast under the applicable provisions of these By-laws and the Declaration (and subject to cumulative voting and to the provisions respecting specially elected directors as are described therein). The candidates receiving the highest number of votes shall be deemed elected.

5.5 Specially Elected Director

5.5.1 As long as a majority of the voting power of the Association resides in the Declarant or its successors or assigns, or as long as there are two (2) outstanding classes of membership in the Association, twenty percent (20%) of the directors, but in no event less than one (1) of the directors (the "Representative-Director") shall be elected at a special election held immediately before the regular election of directors, or at a special meeting of the members called to elect a successor to a Representative-Director who has become unable or unwilling to serve as such.

5.5.2 At the duly constituted meeting of members at which a Representative-Director is to be elected, nominations for such director shall be made from the floor. When nominations have been closed, the special election shall take place. Neither the Declarant nor its successors or assigns shall have the right to participate in or vote in such special election (although its representatives may be present), and the candidate(s) receiving the highest number of votes, up to the number of Representative-Directors to be elected shall be deemed to be the Representative-Director, and, except for the initial term of the original Representative-Director, the term of office of any Representative-Director shall be the same as that of any other director.

5.5.3 Unless members (excluding the Declarant or its successors or assigns) holding a majority of all voting rights (excluding any voting rights held by the Declarant or its successors or assigns) assent by vote or written consent, no Representative-Director may be removed from office. In case of the death, resignation or removal of a Representative-Director, his successor shall be elected at a special meeting of members, and the provisions set forth in this Section 5.5 respecting the election of a Representative-Director shall apply to the election of a successor. Except as otherwise specifically provided, the provisions of these By-laws and of the Articles and the Declaration applicable to

directors, including their election and removal, shall apply to any Representative-Director.

5.6 Removal of a Director for Cause

The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of the court or who has been convicted of a felony.

5.7 Removal of a Director Without Cause

Unless the entire Board is removed from office by the vote of the Association members, an individual director shall not be removed prior to the expiration of his term of office if the number of votes cast against his removal is greater than the quotient arrived at by dividing the total number of votes that may be cast under the cumulative voting procedures by a divider equal to the sum of one (1) plus the authorized number of directors.

5.8 Vacancies

5.8.1 Events Causing Vacancy. A vacancy on the Board shall be deemed to exist on the occurrence of any of the following events: (a) the death, resignation, or removal of a director; (b) the declaration by resolution of the Board of Directors of a vacancy caused by a director who has been declared of unsound mind by an order of court or convicted of a felony; (c) the vote of the members to remove a director as provided in Section 5.7 of these Bylaws; (d) an increase in the authorized number of directors; or (e) the failure of the members, at any meeting of members at which any director is to be elected, to elect the number of directors to be elected at such meeting.

5.8.2 Resignations. Any director of the Association may resign by giving written notice of resignation to the President, the Secretary or the Board of Directors. Any such resignation shall be effective immediately, unless the notice specifies a later time for the resignation to become effective. If the resignation of a director is effective at a future time, the Board of Directors may elect a successor to take office when the resignation becomes effective.

5.8.3 Vacancies Filled by Directors. Vacancies on the Board, other than a vacancy created by the removal of a director, may be filled by a majority of the directors then in office, whether or not less than a quorum, or by a sole remaining director, but a vacant position previously held by a Representative-Director specially elected as provided in

Section 5.5, above, shall be filled only by the members as provided in Section 5.5.3 of these Bylaws.

5.8.4 Vacancies Filled by Members. The members may elect a director at any time to fill any vacancy not filled by the Board of Directors.

5.8.5 No Vacancy on Reduction in Size of Board. No reduction in the authorized number of directors shall have the effect of removing any director before the expiration of that director's term of office.

ARTICLE VI

BOARD OF DIRECTOR ACTIONS

6.1 Powers of Directors

6.1.1 General Powers. Subject to any limitations in the Declaration, the Articles or these Bylaws relating to actions required to be approved by the members, the business and affairs of the Association shall be managed, and all Association powers shall be exercised by or under the direction of the Board of Directors.

6.1.2 Specific Powers. Without prejudice to its general powers, and subject to the foregoing limitations, the directors shall have the power and duty:

A. To manage the affairs of the Association between meetings of its members;

B. To adopt policies and operating procedures to achieve the purposes and objectives of the Association as set forth in the Declaration and these Bylaws;

C. To supervise the operation of the committees of the Association and to assist their members and chairpersons in the performance of their functions;

D. To approve the disbursement of funds of and the payment of expenses incurred by the Association; and

E. To establish an operating budget for the Association and, subject to the approval rights of the members as set forth in the Declaration, to levy assessments on the members of the Association.

6.2 Place of Meetings

Regular meetings of the Board of Directors shall be held within the development. Special meetings of the Board shall be held at any place within the County of Santa Barbara that has been designated in the notice of the meeting. Notwithstanding the foregoing provisions of this Section 6.2, a regular or special meeting of the Board of Directors shall be valid if held at any place consented to in writing by all of the directors, either before or after the meeting. If such consents are given, they shall be filed with the minutes of the meeting.

6.3 Organization Meeting

As soon as practicable after each annual meeting of the members, the Board of Directors shall hold a regular meeting for the purpose of organizing the Board and transacting such other business as may be appropriate. Notice of the organization meeting shall be given as provided in Section 6.6 of these By-laws.

6.4 Other Regular Meetings

Other regular meetings of the Board of Directors shall be held at least semi-annually without call at such place within the development and at such dates as may be fixed from time to time by resolution of the Board.

6.5 Special Meetings

Special meetings of the Board of Directors for any purpose may be called at anytime by the President or by any two (2) directors.

6.6 Notice of Special Meetings

6.6.1 Method. Notice of the time and place of a special meeting shall be given to each director by one of the following methods: (1) by personal delivery of written notice; (2) by first-class mail, postage paid; (3) by telephone communication, either directly to the director or to a person at the director's office who would reasonably be expected to communicate such notice promptly to the director; or (4) by telegram, charges prepaid. All such notices shall be given or sent to the director's address or telephone number as shown on the records of the Association.

6.6.2 Time. Notices sent by first class mail shall be deposited into the United States mails at least seventy-two (72) hours before the time set for the meeting. Notices

given by personal delivery, telephone or telegraph shall be delivered, telephoned or given to the telegraph company at least seventy-two (72) hours before the time set for the meeting.

6.6.3 Contents. Notice of a special meeting shall state the time and place for the meeting and the nature of any special business to be considered.

6.7 Posting of Notices

Notice of the time and place of all regular and special meetings of the Board shall be prominently posted in the development at a place customarily utilized for the posting of notices to the members of the Association, and shall be communicated to the directors at least four (4) days prior to any regular meeting and at least seventy-two (72) hours prior to any special meeting.

6.8 Quorum

A majority of the authorized number of directors shall constitute a quorum for the transaction of business, except to adjourn as provided in Section 6.11 of this Article. Unless a larger vote is required by these Bylaws, every act or decision done or taken by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board of Directors. A meeting at which a quorum is initially present may continue to transact business, notwithstanding the withdrawal of directors, and unless a greater vote is required by these Bylaws, any action taken that is approved by at least of a majority of the required quorum for that meeting shall constitute the act of the Board of Directors.

6.9 Waiver of Notice

Any director who attends a meeting without protesting the lack of adequate notice before or at the commencement of the meeting shall be deemed to have received proper notice of the meeting. The transactions of any meeting of the Board of Directors, however called and noticed or wherever held, shall be as valid as though taken at a meeting duly held after regular call and notice, if (a) a quorum is present, and (b) either before or after the meeting, each of the directors not present signs a written waiver of notice, a consent to holding the meeting, or an approval of the minutes thereof. All such waivers, consents and approvals shall be filed with the Association records or made a part of the minutes of the meeting.

6.10 Conduct of Meetings

Regular and special meetings of the Board shall be open to all members of the Association, but members who are not directors may not participate in any deliberation or discussion unless expressly authorized by the vote of a majority of the Board. The Board may, with the approval of a majority of a quorum of the Board, adjourn a meeting and reconvene in executive session to discuss and vote on personnel matters, litigation in which the Association is or may become involved, and other business of a similar or otherwise sensitive nature. The nature of any such business to be considered in executive session shall first be announced in open session.

6.11 Adjournment

A majority of the directors present, whether or not constituting a quorum, may adjourn any meeting to another time and place.

6.12 Notice of Adjournment

Notice of the time and place for the reconvening of an adjourned meeting need not be given unless the meeting is adjourned for more than 24 hours, in which case personal notice of the time and place shall be given to those directors who were not present at the time of the adjournment before the time for reconvening the adjourned meeting.

6.13 Action without a Meeting

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting if all members of the Board, individually or collectively, consent in writing to that action. Any such action by written consent shall have the same effect as a unanimous vote of the Board and shall be filed with the minutes of its proceedings; a written explanation of any such action shall be posted as provided in Section 6.7, above, within three (3) days after all such consents have been obtained.

ARTICLE VII

OFFICERS OF THE ASSOCIATION

7.1 Principal Officers

The principal officers of the Association shall be a President and a Vice President, who shall at all times be

members of the Board, and a Secretary and a Treasurer, who may but need not be members of the Board. The Board may appoint such additional officers as it determines to be appropriate as provided in Section 7.4, below.

7.2 Election of Officers

The election of officers shall take place at the organizational meeting of the Board following each annual meeting of the members.

7.3 Term of Office

Each officer of the Association shall be elected annually by the Board and each shall hold office for a term of one (1) year and until his successor is elected and qualified (unless he resigns, is removed or becomes otherwise disqualified to serve).

7.4 Subordinate Officers

The Board of Directors may appoint any other subordinate officers that the business of the Association may require, each of whom shall have the title, hold office for the period, have the authority and perform the duties prescribed from time to time by the Board of Directors.

7.5 Resignation and Removal

Any officer may be removed from office with or without cause by the Board. Any officer may resign at any time by giving written notice to the Board, the President, or the Secretary. The resignation shall take effect on the date of receipt of such notice or at any later time specified in the notice, and, unless otherwise requested by the notice, the acceptance of the resignation shall not be necessary to make it effective.

7.6 Vacancies

A vacancy in any office because of death, resignation, removal or any other cause may be filled by appointment by the Board. The officer appointed to fill such vacancy shall serve for the remainder of the term of the officer he replaces.

7.7 Multiple Offices

The offices of Secretary and Treasurer may be held by the same person. Otherwise, no person shall simultaneously hold more than one of any of the other offices except in the

case of subordinate offices created under Section 7.4 of these Bylaws.

7.8 Duties of Officers

The duties of the officers shall be as follows:

7.8.1 President. The President shall be the chief executive officer of the Association and shall preside at all meetings of the members and of the Board. The President shall have all of the general powers and duties customarily vested in the office of president of a corporation, shall ensure that orders and resolutions of the Board are carried out, and shall sign all leases, mortgages, deeds, and other written instruments on behalf of the Association.

7.8.2 Vice President. The Vice President shall act in place of the President in case of his absence, or his inability or refusal to act, and shall exercise and discharge such other duties as may be prescribed by the Board.

7.8.3 Secretary. The Secretary shall record the votes and keep the minutes of all meetings and proceedings of the Board and of the members, shall maintain the records of Association committees, shall serve notices of meetings of the Board and of the members, shall keep appropriate current records showing the members of the Association and their addresses, and shall perform such other duties as may be prescribed by the Board.

7.8.4 Treasurer. The Treasurer shall receive and deposit in appropriate bank accounts all money paid to or collected by the Association and shall disburse such funds as directed by resolution of the Board, shall co-sign all checks and promissory notes of the Association, shall keep proper books of account, shall cause an annual financial report reflecting the income and expenditures of the Association during the most recently ended fiscal year to be prepared and distributed to each member within one hundred twenty (120) days after the end of such fiscal year, and shall cause an annual budget to be prepared and presented to each member not less than sixty (60) days before the beginning of each fiscal year.

7.9 Committees

The Board shall appoint a nominating committee as provided in these Bylaws, an Architectural Control Committee as provided by the Declaration, and may appoint such other standing and ad hoc committees which may be comprised of directors, members or both as it deems appropriate to carry

out its purposes, and may prescribe the duties of each such committee. The President shall be an ex-officio member of all such committees.

ARTICLE VIII

COMPENSATION; INDEMNIFICATION OF AGENTS

8.1 Compensation

No director, officer or committee member shall receive any compensation for any service he may render to the Association without the prior approval of the members, but any such agent shall be reimbursed for actual out-of-pocket expenses reasonably incurred by him on behalf of the Association in the performance of his duties.

8.2 Duty to Indemnify

The Association shall indemnify any director, officer, committee member or other representative, employee or agent of the Association in the manner and to the extent provided in Section 317 of the California General Corporation Law.

8.3 Liability Insurance

The Association shall have the power to purchase and maintain insurance on behalf of any of its directors, officers, committee members, representatives, employees or agents insuring against liability asserted against or incurred by any such person in such capacity, whether or not the Association would be empowered to indemnify them under the provisions of this Article VIII.

ARTICLE IX

BOOKS AND RECORDS

9.1 Membership Register

The Association shall keep in written form (or in form capable of being converted into writing) a membership register containing the name, address, and class of each member.

9.2 Maintenance of Association Records

The Association's membership registers, accounting books and records, and minutes of proceedings of the members

and the Board of Directors and any committees of the Board of Directors shall be kept and maintained at the principal office of the Association or at such other place as the Board of Directors may prescribe.

9.3 Inspection of Association Records

9.3.1 Rights of Members. Any membership registers, accounting books and records and minutes of meetings of the members, the Board and the committees of the Board of the Association shall be made available for inspection and copying by any member of the Association, or his duly-appointed representative or mortgagee, at any reasonable time and for a purpose reasonably related to his interest as a member, at the office of the Association or at such other place within the development as the Board prescribes. Such right of inspection shall include the right to make extracts and copies of documents.

9.3.2 Inspection Rules. The Board shall establish by resolution reasonable rules with respect to:

A. Notice to be given to the custodian of the records of the Association by the member, representative or mortgagee desiring to make an inspection;

B. Hours and days of the week when an inspection may be made by a member, representative or mortgagee; and

C. Payment of the cost of reproducing copies of documents requested by a member or by a representative or mortgagee.

9.3.3 Rights of Directors. Every director of the Association shall have the absolute right at any reasonable time to inspect all books, records and documents of the Association and the physical properties owned or controlled by the Association. The right of inspection by a director shall include the right to make extracts and copies of documents.

ARTICLE X

FINANCIAL MATTERS

10.1 Fiscal Year

The fiscal year of the Association shall be a calendar year unless a different fiscal year is adopted by the members at a duly constituted meeting.

10.2 Budgets and Financial Statements

The following financial information shall be regularly prepared and distributed to all members, regardless of the number of members or the amount of the assets of the Association.

10.2.1 Budget. A budget for each Fiscal Year, consisting of at least the following information, shall be distributed not less than sixty (60) days prior to the beginning of the Fiscal Year.

A. Estimated revenue and expense on an accrual basis.

B. The amount of the total cash reserves of the Association currently available for replacement or major repair of common facilities and for contingencies.

C. An itemized estimate of the remaining useful life of and the methods of funding to defray repair, replacement or additions to major components of the Common Areas and facilities for which the Association is responsible.

D. A general statement setting forth the procedures used in the calculation and establishment of reserves to defray the costs of repair, replacement or additions to major components of the Common Areas and facilities for which the Association is responsible.

E. A statement of the Association's policies and practices in enforcing its remedies against members for defaults and the payment of regular and special assessments, including the recording and foreclosing of liens against members' Lots.

10.2.2 Balance Sheet and Operating Statement. A Balance Sheet, dated as of an accounting date which is the last day of the month closest in time to six months from the date of closing of the first sale of a Lot in the development, and an Operating Statement for the period beginning with the date of the first closing and ending as of such accounting date, shall be distributed to each of the members within sixty (60) days after such accounting date. The Operating Statement shall include a schedule of assessments received and receivable, identified by the Lot number and the name of the owner or other entity assessed.

10.2.3 Annual Report. An Annual Report for the Association as of the end of each Fiscal Year of the Association shall be distributed to each member within one hundred twenty (120) days after the end of each such Fiscal Year.

A. The Association's Annual Report shall contain at least the following:

(1) A Balance Sheet as of the end of the Fiscal Year;

(2) An Income Statement for the Fiscal Year;

(3) A Statement of Change in Financial Position for the Fiscal Year;

(4) A statement of the location at which the names and addresses of the current members are maintained; and

(5) A brief description of any transaction between the Association and a party in interest, or any indemnification by the Association of its agents, in the manner and to the extent required by Section 8322 of the California Non-Profit Mutual Benefit Corporation Law.

B. Preparation by Independent Accountant. In any Fiscal Year in which the gross receipts of the Association exceed Seventy-Five Thousand Dollars (\$75,000), the Financial Statements of the Association (other than the Balance Sheet and Income Statement prepared pursuant to Section 10.2.2, above) shall be prepared in accordance with generally accepted accounting principles by an independent public accountant licensed by the California State Board of Accountancy, and a copy of such accountant's report shall be included in the Annual Report.

C. Officer's Certificate. If the Association's Annual Report is not required by paragraph B, above, to be accompanied by the report of the Association's independent public accountant, then the Annual Report shall be accompanied by the Certificate of an elected officer of the Association that the Financial Statements were prepared from the books and records of the Association without independent audit or review.

10.3 Assessments

10.3.1 General and Special Assessments. Each of the Association's members shall be subject to general and special assessments to defray common expenses of the Association for each fiscal year, as established pursuant to Article VII of the Declaration.

10.3.2 Rate of Assessment. Regular and special assessments shall be fixed and levied for each lot in the

development in the manner prescribed by Section 7.3 of the Declaration.

10.3.3 Notice; Due Dates. A single ten (10) days' prior written notice of each general and special assessment shall be given to each member subject to assessment, which notice shall specify the due dates of such assessments.

10.3.4 Collection of Assessments. The collection of assessments shall be enforced by the Board of Directors on behalf of the Association in the manner provided by Article VIII of the Declaration.

10.4 Reserves

Any amounts collected by or paid to the Association in excess of operational needs shall be set aside as reserves for future financial needs in the manner described in the Declaration and shall be deposited into insured, interest-bearing accounts. These sums may include amounts which are collected from owners through purchase escrows and which represent capital contribution by members to the Association.

10.5 Deposit of Funds

Any funds of the Association in excess of its immediate cash requirements may be deposited in (a) federally insured savings accounts; (b) certificates of deposit; (c) deposits in commercial banks or savings institutions; (d) government securities; and/or (e) other short-term investment securities, including unsecured commercial paper and money market funds.

ARTICLE XI

GENERAL PROVISIONS

11.1 Conflicting Provisions

In case of any conflict between any provisions of the Declaration and these Bylaws, the provisions of the Declaration shall control.

11.2 Incorporation of the Declaration

Any reference made in these Bylaws to the Declaration is intended to incorporate the referenced provision into these Bylaws as though set forth in full, as well as any other provision of the Declaration which explains, implements or modifies the referenced provision.

11.3 Endorsement of Documents; Contracts

Subject to the provisions of applicable law, any mortgage, contract, conveyance, or other instrument in writing and any assignment or endorsement thereof executed or entered into between the corporation and any other person, when signed by the President, or any Vice President and the Secretary, any Assistant Secretary, the Treasurer, or any Assistant Treasurer of the Association shall be valid and binding on the Association in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent, or employee shall have any power or authority to bind the Association by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

11.4 Construction and Definitions

Unless the context otherwise requires, the general provisions, rules of construction, and definitions contained in the General Provisions of the California Nonprofit Corporation Law and in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws.

11.5 Amendments

11.5.1 Two Classes. At any time when the Association has two classes of voting members, these Bylaws may be amended only with the vote or written consent of members representing a majority of the voting power of each class of membership in the Association.

11.5.2 One Class. When this Association ceases to have two classes of voting members due to the conversion of Class B membership to Class A membership as provided in the Declaration, these Bylaws may be amended only with the vote or written consent of members representing a majority of the voting power of the Association and a majority of the voting power residing in members other than the Declarant.

11.5.3 Greater Than Majority Votes. The foregoing provisions of this Section 11.5 are not intended to limit the percentage of the voting power of the Association or of each voting class necessary to amend a specific provision in these Bylaws when the specific provision requires a different percentage of affirmative votes. If more than a majority of the voting power is required by any specific provision or if approval of each voting class is required, the specific provision shall control.

11.5.4 Compliance with Law. The adoption of any amendment to these Bylaws must comply with the provisions of California Business and Professions Code Section 11018.7 to the extent that such section may be applicable.

CERTIFICATE OF SECRETARY

OF

EUCALYPTUS GROVE HOMEOWNERS ASSOCIATION

The undersigned, being the Secretary of the EUCALYPTUS GROVE HOMEOWNERS ASSOCIATION, does hereby certify that:

1. He is now and at all relevant times mentioned herein has been the duly elected and acting Secretary of the Eucalyptus Grove Homeowners Association, a California nonprofit mutual benefit corporation;

2. That there is attached hereto to this Certificate a true and correct copy of the By-laws of said Association; and

3. That said By-laws were duly adopted at the organization meeting of the Board of Directors of said Association on the ____ day of _____, 19__, and that the same have not subsequently been amended or rescinded and continue to be in full force and effect as of the date hereof.

IN WITNESS WHEREOF, I have hereunto set my hand and the official seal of the Association on this _____ day of _____, 19__.

, Secretary

(SEAL)